

AMENDED IN ASSEMBLY JULY 13, 1999
AMENDED IN ASSEMBLY JUNE 29, 1999
AMENDED IN ASSEMBLY JUNE 14, 1999
AMENDED IN SENATE APRIL 26, 1999
AMENDED IN SENATE APRIL 13, 1999

SENATE BILL

No. 574

Introduced by Senators Dunn, McPherson, and Sher
(Coauthors: Assembly Members Dutra, Granlund, Honda,
Machado, and Washington)

February 23, 1999

An act to amend Sections 50780, 50781, 50783, 50784, 50785, 50786, and 50786.5 of the Health and Safety Code, relating to mobilehome parks, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 574, as amended, Dunn. Mobilehome Park Purchase Fund.

Existing law authorizes the Department of Housing and Community Development to make loans from the Mobilehome Park Purchase Fund to mobilehome park residents or resident organizations to finance conversion of the parks to resident ownership. The Mobilehome Park Purchase Fund is continuously appropriated to the department for the purpose of providing these loans and for related administrative costs.

This bill would authorize those loans to also be made to qualified nonprofit housing sponsors and local public entities for the conversion of parks to ownership by those nonprofit sponsors or local public entities. The bill would require a local public entity purchasing a mobilehome park under these provisions to transfer the park to a nonprofit housing sponsor or resident organization that has converted, or plans to convert, the park to resident ownership within 3 years, subject to specified conditions. The bill would authorize those funds to be used to relocate a mobilehome park under specified conditions but would prohibit the use of those funds to relieve a park owner of any responsibility for covering the costs of mitigating the impacts of a park closure, as specified, or to facilitate the purchase of a park by a qualified nonprofit corporation or local public entity from a public entity that had acquired the park prior to the loan commitment under these provisions.

This bill would extend indefinitely provisions formerly applicable only to mobilehome park acquisitions from June 1 to August 1, 1993, that limit certain conditions that the department may place on the disbursement of funds for the acquisition by a local government of a mobilehome park for conversion to resident ownership.

This bill would make an appropriation by authorizing the expenditure of money in the Mobilehome Park Purchase Fund for a new purpose.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 50780 of the Health and Safety
- 2 Code is amended to read:
- 3 50780. (a) The Legislature finds and declares as
- 4 follows:
- 5 (1) That manufactured housing and mobilehome
- 6 parks provide a significant source of homeownership for
- 7 California residents, but increasing costs of mobilehome
- 8 park development and construction, combined with the
- 9 costs of manufactured housing, the costs of financing and



1 operating these parks, the low vacancy rates, and the
2 pressures to convert mobilehome parks to other uses
3 increasingly render mobilehome park living
4 unaffordable, particularly to those residents most in need
5 of affordable housing.

6 (2) That state government can play an important role
7 in addressing the problems confronted by mobilehome
8 park residents by providing supplemental financing that
9 makes it possible for mobilehome park residents to
10 acquire the mobilehome parks in which they reside and
11 convert them to resident ownership.

12 (3) That a significant number of older mobilehome
13 parks exist in California, the residents of which may
14 collectively lack the experience or other qualifications
15 necessary to successfully own and operate their parks;
16 that these parks provide low-cost housing for their
17 residents that would be difficult to replace if the parks
18 were converted to other uses; that these parks are more
19 likely than other parks to be threatened by physical
20 deterioration or conversion to other uses; and that it is,
21 therefore, appropriate to use the resources of the fund
22 pursuant to this chapter to transfer these parks to
23 ownership by qualified nonprofit housing sponsors or by
24 local public entities for the purpose of preserving them
25 as affordable housing.

26 (b) Therefore, it is the intent of the Legislature, in
27 enacting this chapter, to encourage and facilitate the
28 conversion of mobilehome parks to resident ownership or
29 ownership by qualified nonprofit housing sponsors or by
30 local public entities, to protect low-income mobilehome
31 park residents from both physical and economic
32 displacement, to obtain a high level of private and other
33 public financing for mobilehome park conversions, and to
34 help establish acceptance for resident-owned,
35 nonprofit-owned, and government-owned mobilehome
36 parks in the private market.

37 SEC. 2. Section 50781 of the Health and Safety Code
38 is amended to read:

1 50781. Unless the context otherwise requires, the
2 following definitions given in this section shall control
3 construction of this chapter:

4 (a) “Affordable” means that, where feasible,
5 low-income residents should not pay more than 30
6 percent of their monthly income for housing costs.

7 (b) “Conversion costs” includes the cost of acquiring
8 the mobilehome park, the costs of planning and
9 processing the conversion, the costs of any needed repairs
10 or rehabilitation, and any expenditures required by a
11 governmental agency or lender for the project.

12 (c) “Department” means the Department of Housing
13 and Community Development.

14 (d) “Fund” means the Mobilehome Park Purchase
15 Fund created pursuant to Section 50782.

16 (e) “Housing costs” means the total cost of owning,
17 occupying, and maintaining a mobilehome and a lot or
18 space in a mobilehome park. The department’s
19 regulations shall specify the factors included in these costs
20 and may, for the purposes of calculating affordability,
21 establish reasonable allowances.

22 (f) “Individual interest in a mobilehome park” means
23 any interest that is fee ownership or a lesser interest that
24 entitles the holder to occupy a lot or space in a
25 mobilehome park for a period of not less than either 15
26 years or the life of the holder. Individual interests in a
27 mobilehome park include, but are not limited to, the
28 following:

29 (1) Ownership of a lot or space in a mobilehome park
30 or subdivision.

31 (2) A membership or shares in a stock cooperative, as
32 defined in Section 11003.2 of the Business and Professions
33 Code, or a limited equity housing cooperative, as defined
34 in Section 33007.5 of this code.

35 (3) Membership in a nonprofit mutual benefit
36 corporation that owns, operates, or owns and operates the
37 mobilehome park.

38 (g) “Low-income resident” means an individual or
39 household that is a lower income household, as defined in
40 Section 50079.5. However, personal assets shall not be

1 considered in the calculation of income, except to the
2 extent that they actually generate income.

3 (h) “Low-income spaces” means those spaces in a
4 mobilehome park operated by a resident organization, a
5 qualified nonprofit housing sponsor, or a local public
6 entity that are occupied by low-income residents.

7 (i) “Mobilehome park” means a mobilehome park, as
8 defined in Section 18214, or a manufactured home
9 subdivision created by the conversion of a mobilehome
10 park, as defined in Section 18214, including a senior park,
11 to resident ownership or ownership by a qualified
12 nonprofit housing sponsor or local public entity.

13 (j) “Program” means the Mobilehome Park Resident
14 Ownership Program.

15 (k) “Qualified nonprofit housing sponsor” means a
16 nonprofit public benefit corporation, as defined in Part 2
17 (commencing with Section 5110) of Division 2 of the
18 Corporations Code, that (1) has received its tax-exempt
19 status under Section 501(c)(3) of the Internal Revenue
20 Code, (2) is not affiliated with or controlled by a for-profit
21 organization or individual, (3) has extensive experience
22 with the development and operation of publicly
23 subsidized affordable housing, (4) the department
24 determines is qualified by experience and capability to
25 own and operate a mobilehome park that provides
26 housing affordable to low-income households, and (5) has
27 formal arrangements for ensuring resident participation
28 or input in the management of the park that may include,
29 but not be limited to, membership on the board of
30 directors.

31 (l) “Resident organization” means a group of
32 mobilehome park residents who have formed a nonprofit
33 corporation, cooperative corporation, or other entity or
34 organization for the purpose of acquiring the
35 mobilehome park in which they reside and converting
36 the mobilehome park to resident ownership. The
37 membership of a resident organization shall include at
38 least two-thirds of the households residing in the
39 mobilehome park, or in each park of a combination of
40 parks where the residents of two or more parks combine

1 to form a single resident organization. The two-thirds of
2 households in the resident organization at the time of
3 funding the park need not be the same households that
4 were residing in the park when the application for
5 assistance was submitted to the department. A
6 household's membership in the resident organization
7 when the application was submitted to the department
8 shall not be a requirement for that household to receive
9 a loan or assistance under this chapter.

10 (m) "Resident ownership" means, depending on the
11 context, either the ownership by a resident organization
12 of an interest in a mobilehome park that entitles the
13 resident organization to control the operations of the
14 mobilehome park for a term of no less than 15 years, or
15 the ownership of individual interests in a mobilehome
16 park, or both.

17 SEC. 3. Section 50783 of the Health and Safety Code
18 is amended to read:

19 50783. (a) The department may make loans from the
20 fund to resident organizations for the purpose of
21 financing mobilehome park conversion costs.

22 (b) Loans provided pursuant to this section shall be for
23 a term of no more than three years and shall bear interest
24 at a rate of 3 percent per annum.

25 (c) Loans provided pursuant to this section shall be for
26 the minimum amount necessary to enable a resident
27 organization to acquire and convert the mobilehome
28 park. To the extent possible, the loan amount shall not
29 exceed 50 percent of the approved conversion costs.
30 However, the loan amount may be for up to 95 percent
31 of the approved conversion costs attributable to the
32 low-income households in the park when approved by the
33 department.

34 (d) The department may grant approval to exceed 50
35 percent of the approved conversion costs only where
36 both of the following are demonstrated:

37 (1) That the applicant has made an effort to secure
38 additional funds from other sources and these funds are
39 not available.

(2) That the project would not be feasible, as determined by the department, without a waiver of the 50 percent financing limitation.

(e) The total secured debt in a superior position to the department's loan plus the department's loan shall not exceed the value of the collateral securing the loan.

SEC. 4. Section 50784 of the Health and Safety Code is amended to read:

50784. (a) The department may make loans from the fund to (1) individual low-income residents of mobilehome parks that have converted to resident ownership, (2) resident organizations that have converted or plan to convert a mobilehome park to resident ownership, or (3) qualified nonprofit housing sponsors or local public entities that plan to acquire a mobilehome park, provided that no less than 30 percent of the spaces in the park are for occupancy by manufactured homes owned by low-income ~~households~~ *residents*. The purpose of providing loans pursuant to this section is to reduce the monthly housing costs for low-income residents to an affordable level.

(b) (1) Any mobilehome park purchased by a local public entity with a loan pursuant to this section shall be transferred to a nonprofit housing sponsor or resident organization that has converted, or plans to convert, the park to resident ownership no later than three years from the date of loan closing, with all obligations under the loan assumed by the nonprofit organization or resident organization.

(2) If a local public entity has made a good faith effort, but has not been able, to transfer the park by the end of the three-year period, the entity may apply to the department for an additional three-year extension. Upon a determination by the department that the local public entity has made a good faith effort to transfer the park in accordance with paragraph (1), it shall have an additional three years from the expiration date of the first three-year period to consummate the transfer. The three-year extension shall only be granted once by the department for each loan to a local public entity.

1 (3) Where a local public entity fails to make a good
2 faith effort to transfer the park within the first three-year
3 period, as determined by the department, or fails to
4 transfer the park by the expiration date of the extended
5 three-year period, it shall repay the loan in full to the
6 department.

7 (c) Loans provided pursuant to this section shall be for
8 a term of no more than 30 years and shall bear interest at
9 a rate of 3 percent per annum.

10 (d) The department may establish flexible repayment
11 terms for loans provided pursuant to this section if the
12 terms are necessary to reduce the monthly housing costs
13 for low-income residents to an affordable level, and do not
14 represent an unacceptable risk to the security of the fund.
15 Flexible repayment terms may include, but are not
16 limited to, graduated payment schedules with negative
17 amortization.

18 (e) Loans provided to low-income residents pursuant
19 to this section shall be for the minimum amount necessary
20 to reduce the borrower's monthly housing costs to an
21 affordable level. All of the following shall apply to loans
22 to finance individual interests pursuant to this section:

23 (1) To the extent possible, loan amounts shall not
24 exceed 50 percent of the acquisition costs of the
25 individual interests in the mobilehome parks. However,
26 the loan amounts may be for up to 95 percent of the
27 acquisition costs of the individual interests in the
28 mobilehome parks when approved by the department.

29 (2) The department may grant approval to exceed 50
30 percent of the acquisition costs of the individual interests
31 only where both of the following are demonstrated:

32 (A) That the low-income resident has made an effort
33 to secure additional funding from other sources and these
34 funds are not available.

35 (B) That the low-income resident would be unable to
36 purchase an individual interest without a waiver of the 50
37 percent financing limitation.

38 (3) The total indebtedness of the loan provided
39 pursuant to this section plus any senior debt upon

1 individual interests may not exceed 95 percent of the
2 value of the collateral securing the loan.

3 (f) Loans provided to resident organizations, qualified
4 nonprofit housing sponsors, or local public entities
5 pursuant to this section shall be for the minimum amount
6 necessary to reduce the monthly housing costs of
7 low-income residents to an affordable level. All of the
8 following shall apply to loans made to resident
9 organizations, qualified nonprofit housing sponsors, or
10 local public entities pursuant to this section:

11 (1) To the extent possible, loan amounts shall not
12 exceed 50 percent of the conversion costs attributable to
13 the low-income spaces. However, the loan amounts may
14 be for up to 95 percent of the conversion costs
15 attributable to the low-income spaces when approved by
16 the department.

17 (2) The department may grant approval to exceed 50
18 percent of the conversion costs attributable to
19 low-income spaces only where both of the following are
20 demonstrated:

21 (A) That the applicant has made an effort to secure
22 additional funds from other sources and these funds are
23 not available.

24 (B) That the project would not be feasible as
25 determined by the department without a waiver of the
26 50 percent financing limitation.

27 (3) The total secured debt in a superior position to the
28 department's loan plus the department's loan shall not
29 exceed the value of the collateral securing the loan.

30 (g) Funds provided pursuant to this section shall not
31 be used to (1) assist residents who are not of low income,
32 (2) reduce monthly housing costs for low-income
33 residents to less than 30 percent of their monthly income,
34 or (3) facilitate the purchase of a park by a qualified
35 nonprofit corporation or local public entity from a public
36 entity that had acquired the park prior to the
37 commitment of the loan from the program.

38 (h) Subject to the restrictions of this subdivision, funds
39 provided pursuant to this section may be used to finance
40 the costs of relocating a mobilehome park to a more

1 suitable site within the same jurisdiction if the
2 department determines that the cost of the relocation,
3 including any and all relocation costs to the affected
4 households, is a more prudent expenditure of funds than
5 the costs of needed or repetitive repairs to the existing
6 park. Funds provided pursuant to this section shall not be
7 used to relieve a park owner of any responsibility for
8 covering the costs of mitigating the impacts of a park
9 closure as may be provided for by local ordinance or
10 pursuant to Section 65863.7 or 66427.4 of the Government
11 Code.

12 SEC. 5. Section 50785 of the Health and Safety Code
13 is amended to read:

14 50785. (a) In determining the eligibility for and
15 amount of loans pursuant to Sections 50783 and 50784, the
16 department shall take into consideration, among other
17 factors, all of the following:

18 (1) The reasonableness of the conversion costs relating
19 to repairs, rehabilitation, construction, or other costs.

20 (2) Any administrative and security factors affecting
21 the department's program operation and administration.

22 (3) Whether or not the projects complement the
23 implementation of a local housing program to preserve or
24 increase the supply of housing for persons and families of
25 low or moderate income.

26 (4) Whether or not state funds are utilized in the most
27 efficient and effective manner.

28 (5) In the case of a loan to a qualified nonprofit housing
29 sponsor or to a local public entity, evidence of resident
30 participation in the conversion and management of the
31 park, in the form of either resident participation on the
32 board of directors of the entity that acquires ownership
33 of the park, or the establishment of, and consultation
34 with, a permanent resident advisory board.

35 (b) To the extent consistent with requests for
36 assistance, the department shall allocate funds available
37 for the purposes of this chapter throughout the state in
38 accordance with identified housing needs, including
39 seeking to allocate not less than 20 percent to rural areas.

1 SEC. 6. Section 50786 of the Health and Safety Code
2 is amended to read:

3 50786. (a) The department shall adopt regulations
4 for the administration and implementation of this
5 chapter.

6 (b) The department shall obtain the best available
7 security for loans made pursuant to this chapter. The
8 security may include a note, deed of trust, assignment of
9 lease, or other form of security on real or personal
10 property which the department determines is adequate
11 to protect the interests of the state. To the extent
12 applicable, these documents and any regulatory
13 provisions shall be recorded or referenced in a recorded
14 document in the office of the county recorder of the
15 county in which the mobilehome park is located.

16 (c) The degree of continuing regulatory control with
17 respect to park operations and resident loans exercised by
18 the department in making loans pursuant to this chapter
19 shall be commensurate with the level of financial
20 assistance provided and in all cases shall be adequate to
21 protect the state's security interest and ensure the
22 accomplishment of the purposes of the program
23 authorized by this chapter. The regulatory requirements
24 shall be set forth in a regulatory agreement, deed of trust,
25 or other lien, and any violation of these requirements
26 shall be considered a violation of a security document.
27 Where loans are made to a qualifying nonprofit housing
28 sponsor or local public entity, a regulatory agreement
29 shall be recorded against the mobilehome park. This
30 regulatory agreement shall contain provisions limiting
31 occupancy, rents, and park operation for the original loan
32 term. The department may release individual spaces
33 from the regulatory agreement only if they are purchased
34 by low-income residents who occupy them.

35 (d) Before providing financing pursuant to this
36 chapter, the department shall require provision of, and
37 approve, at least all of the following:

38 (1) Verification at the time of application and prior to
39 funding that at least two-thirds of the households residing

1 in the mobilehome park support the plans for acquisition
2 and conversion of the park.

3 (2) Verification that either no park residents shall be
4 involuntarily displaced as a result of the park conversion
5 or the impacts of the displacement shall be mitigated as
6 required under state and local law. For purposes of this
7 requirement, compliance with Section 66427.5 of the
8 Government Code shall be conclusively presumed to
9 have mitigated economic displacement.

10 (3) Verification that the conversion is consistent with
11 local zoning and land use requirements, other applicable
12 state and local laws, and regulations and ordinances.

13 (4) Projected costs and sources of funds for all
14 conversion activities.

15 (5) Projected operating budget for the park during
16 and after the conversion.

17 (6) A management plan for the conversion and
18 operation of the park.

19 (7) If necessary, a relocation plan for residents not
20 participating that is in compliance with Chapter 16
21 (commencing with Section 7260) of Division 7 of Title 1
22 of the Government Code.

23 (e) The department shall, to the greatest extent
24 feasible, do all of the following:

25 (1) Require participation by cities and counties in loan
26 applications submitted pursuant to this chapter.

27 (2) Contract with private lenders or local public
28 entities to provide program administration and to service
29 loans made pursuant to this chapter.

30 (3) Give priority to applications for resident-owned
31 parks.

32 SEC. 7. Section 50786.5 of the Health and Safety Code
33 is amended to read:

34 50786.5. Notwithstanding any other provision of this
35 chapter, where a city, county, or other local
36 governmental entity has acquired a mobilehome park for
37 the purpose of converting the park to resident ownership,
38 and the department has entered into a binding
39 agreement for the commitment of funds to the project,
40 the department shall not require that more than a simple

1 majority of households residing in the park actually
2 purchase, or have opened escrow to purchase, interests or
3 spaces in the park as a condition of disbursement of funds
4 for loans made pursuant to Section 50784 to qualified
5 individual households.

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